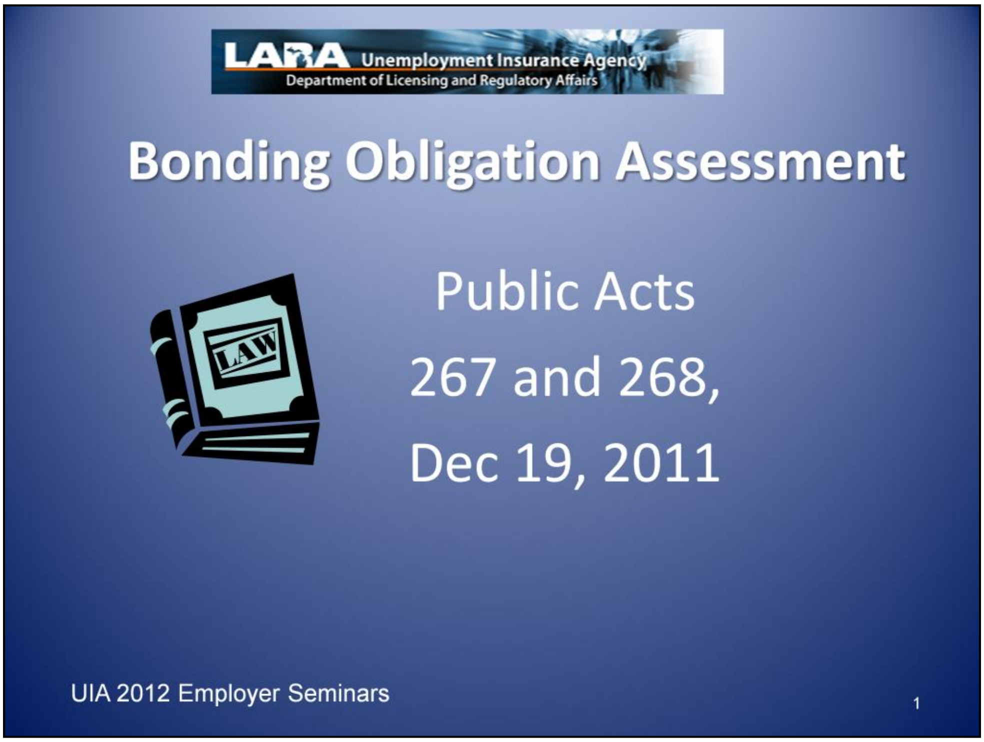
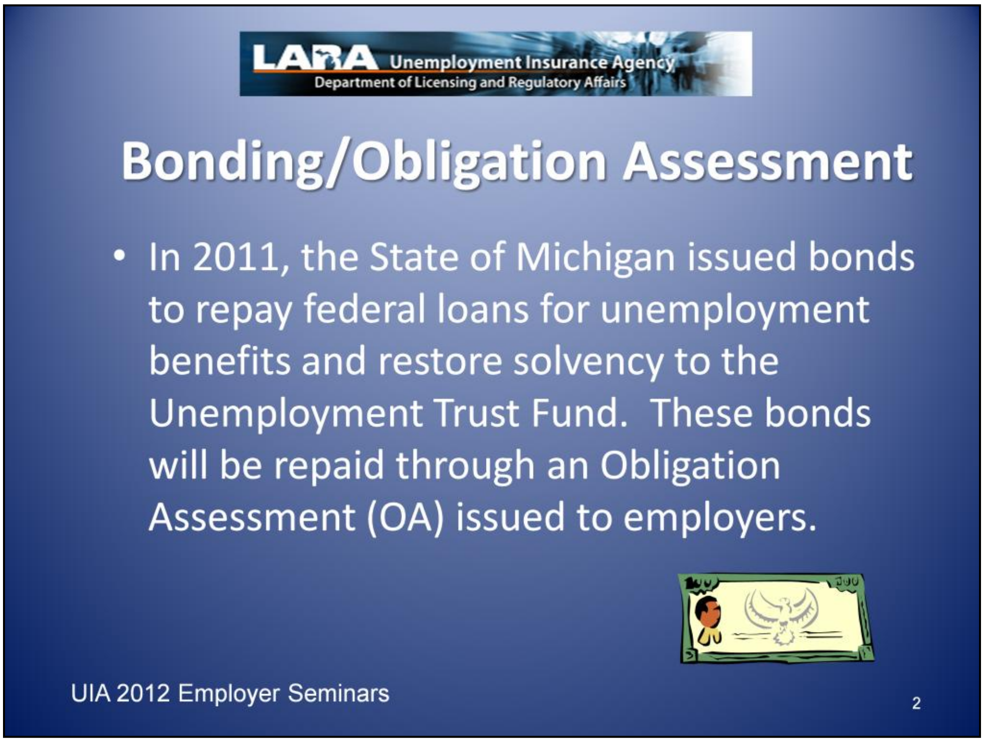
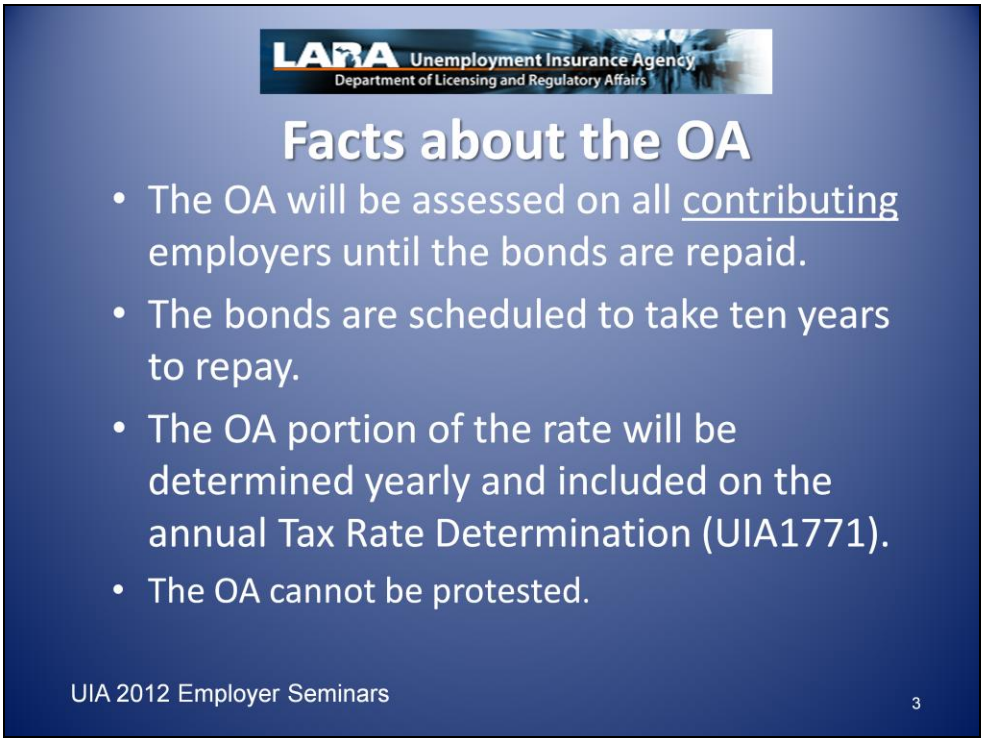


On December 19, 2011 Public Acts 267 and 268, were signed into law. What these two acts did was allow the State of Michigan to take advantage of an opportunity to eliminate the debt owed to the federal government by issuing bonds and avoid future federal taxes and penalties on employers.



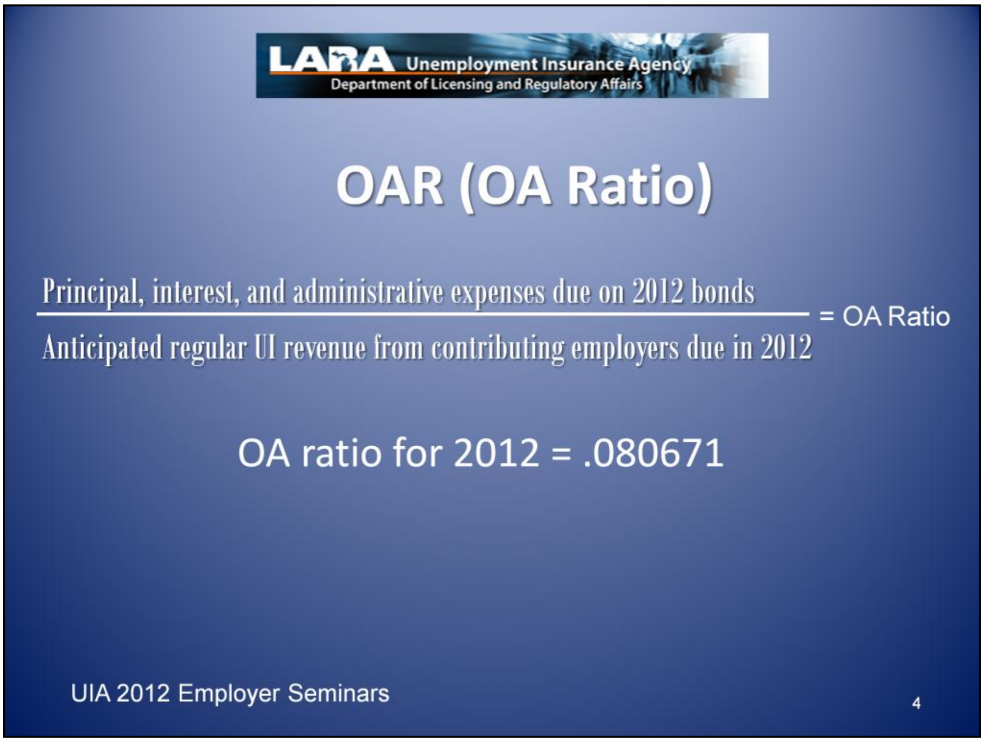
(Read slide first) At the end of 2011 the UIA was approximately $3.3 billion in debt to the federal government with an estimated interest liability of over $200 million. To repay the bonds, all employers will start being assessed an obligation assessment that has been added to the 2012 Tax Rate notices. It doesn't matter if an employer is newly liable, fully experienced, or have a positive or negative reserve balance.



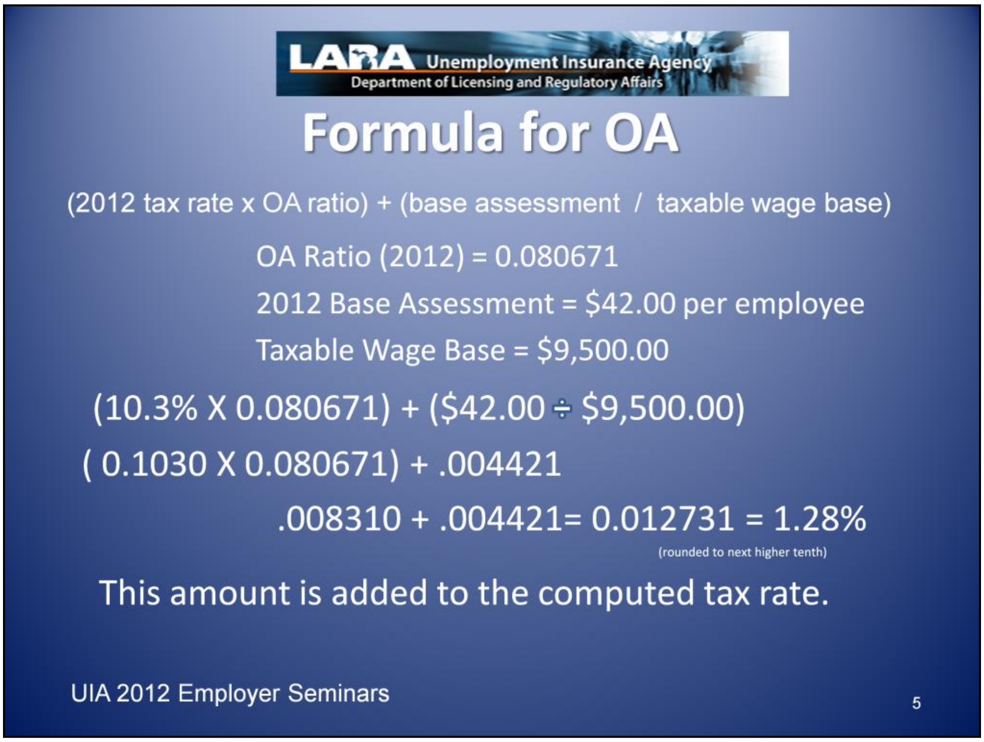
The OA Bond Assessment cannot be protested or appealed. It is a statutory amendment to the Michigan Employment Security (MES) Act.

It is important to note that because of the OA there is no solvency tax in effect for 2012, and there will be no FUTA credit reduction penalty in place. This also avoids the potential of the BCR or Benefit Cost Ratio being imposed. This would save the business community approximately $739 million in 2013 alone.

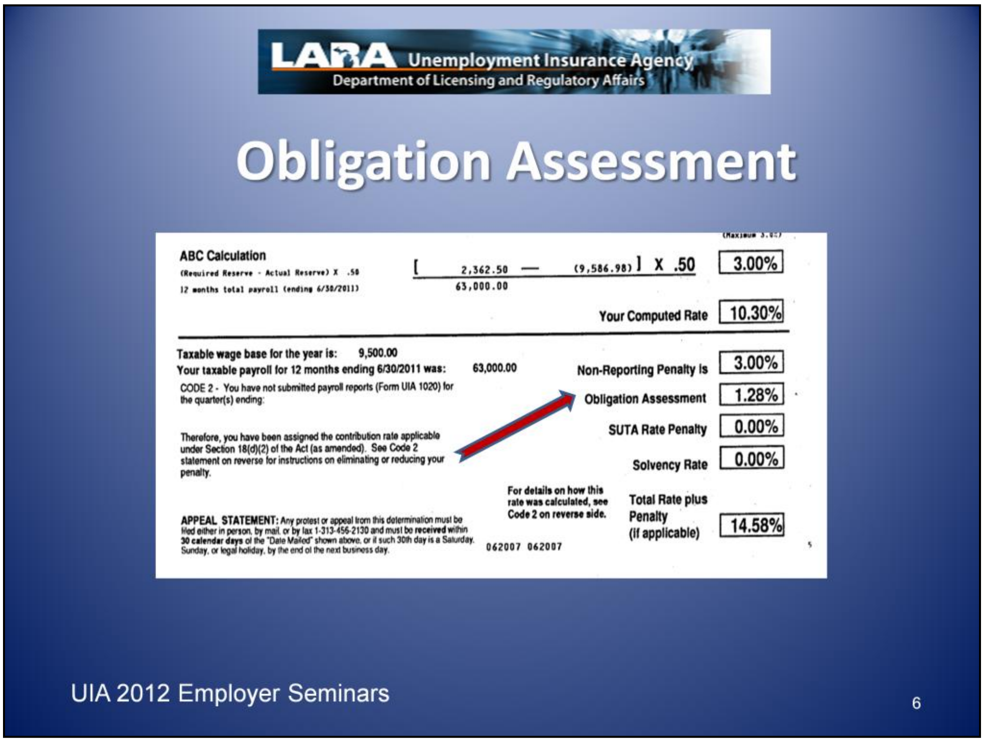
If you are asked: If employers sent in a solvency check to become a positive balance employer, it will still be posted to their experience account and is irrevocable (non-refundable). However, once an employer becomes positive they become eligible to apply for the Michigan Tax Credit for 2012, which is based on the FUTA credit reduction due January 31, 2012, (which is based on 2011 wages.)



We tried to make the obligation assessment fair for all employers, this means that the employers with lower tax rates would pay less. The OA Ratio that you see on the screen is used to calculate the experience based cost of the Obligation Assessment Rate. (Read formula from slide). For Year 2012, the State Treasurer, in consultation with the Director of Licensing and Regulatory Affairs (LARA) has set the OAR. For 2013 and after, the OAR will be set by the State Treasurer & the Director of LARA on or before November 20th of each tax year.

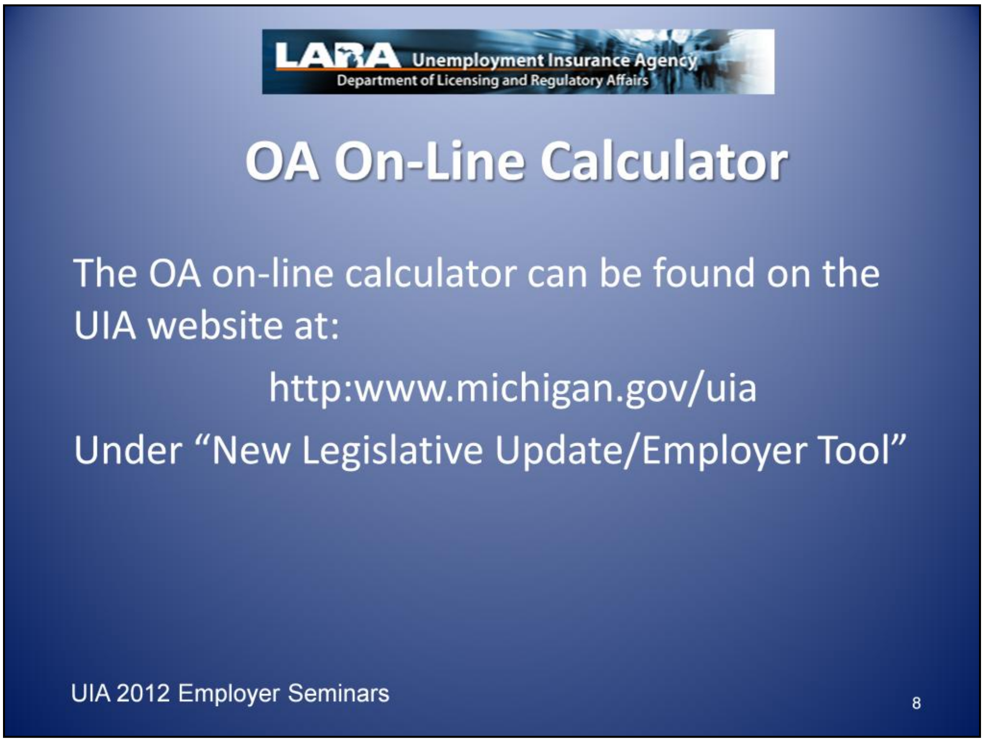


The obligation assessment ratio is just one portion of the formula for the Obligation Assessment. The calculation of the OA takes into consideration the employer's current tax rate, the OA ratio, the base assessment (for 2012 it is $42.00 per employee), and the taxable wage base, which has increased to $9500.00. The base assessment is currently estimated at $63.00 for 2013 and beyond. The OA ratio, base assessment, and taxable wage base will be the same for all employers.



This shows the lower portion of the UIA1771 Tax Rate Notice that includes the Obligation Assessment. For an employer with a computed rate of 10.3 %, the obligation assessment calculates to 1.28%. An OA Chart and computation guide is in your pack, and lists what your OA rate will be according to your computed tax rate.

The chart on the screen is similar to slide 14, which showed how new liable employers would look prior to the new legislation. With this chart you can see how the Obligation Assessment will add to the tax rate for each year. Because of the OA, new employers will start off with higher than a 2.7% rate. New employers will actually start off at 3.36%.(.66% for OA portion)



To verify your OA amount, enter the tax rate from “Your Computed Rate” on the 2012 Tax Rate Determination, and follow the instructions, and the on-line tool will calculate your OA amount. For more information refer to Fact Sheet #146.

Remember, OA is replacing the Solvency Tax and the FUTA Credit.